

**Overview and Initial Issues Identification
Office of Economic Development**

Staff: Traci Ratzliff

Date Prepared: October 8, 2010

Expenditures/Revenues

	2009 Actuals	2010 Adopted Budget	2011 Proposed Budget	% Change 2010 to 2011	2012 Proposed Budget	% Change 2011 to 2012
Expenditures by BCL						
CDBG- Office of Economic Development BCL	\$3,509,000	\$5,003,675	\$5,003,675	0.0%	\$5,003,675	0.0%
Office of Economic Development - X1D00	\$6,711,000	\$6,178,757	\$6,338,820	2.6%	\$5,875,168	-7.3%
Total Expenditures	\$10,220,000	\$11,183,000	\$11,343,000		\$10,879,000	
Total FTEs	20	20	22	10%	22	0%
Revenues						
General Subfund	\$6,711,000	\$6,179,000	\$6,339,000	2.6%	\$5,875,000	-7.3%
Other Revenue Sources	\$3,509,000	\$5,004,000	\$5,004,000	0%	\$5,004,000	0.0%
Total Revenues	\$10,220,000	\$11,183,000	\$11,343,000	1.4%	\$10,879,000	-4.1%

Introduction:

The Office of Economic Development's (OED's) 2011 proposed budget is \$160,000 or 1.4% above the 2010 Adopted Budget and the 2012 proposed budget is 4.1% or \$464,000 below the 2011 budget. The increase in the 2011 budget is predominantly a result of adding \$624,000 in one time funding to correct an under appropriation that occurred in prior years for the Seattle Jobs Initiative and the transfer of a position and funding of \$150,105 from the Office of Sustainability and Environment (OSE) to OED (which continues in 2012). OED did cut its 2011 and 2012 budgets by over \$700,000 through reductions in programs, outside contracts, seven day staff furlough, and general operating costs, including copying, office supplies, computer replacement, etc.

The proposed 2011 and 2012 budget increases OED's staff by one FTE to 22 total staff with the transfer of a staff person from the Office of Sustainability and Environment (OSE) to OED. This position will assist with the implementation of the Energy Efficiency Retrofit Program for small commercial businesses. Funding from OSE for this position includes \$31,000 in funding for professional services.

Identified Issues:

1. New Markets Tax Credit (NMTC) Revenue – The Mayor's Proposed 2011-2012 Budget assumes that \$150,000 in annual fees generated from NMTC program approved projects will be used to fund OED staffing costs associated with NMTC approved projects. The Proposed budget assumes that a total of \$450,000 in NMTC fees will be generated each year. After payment of staffing costs, the remainder of the NMTC fees will be used to finance loan loss reserves for approved NMTC projects and an economic development projects fund. NMTC fees are governed by the policies and procedures adopted by the City Council for this program. These policies

authorize the use of fees to pay program expenses including administrative and management services provided by the City or another entity; maintain appropriate capitalization of the NMTC approved projects; and invest in future economic development projects that achieve public benefits. The Investment Committee (including Council representation) for the NMTC program approves how NMTC fees will be spent.

In late 2010 or early 2011, a total of \$300,000 in fees will be generated by a NMTC approved project. Approximately \$75,000 in fees are proposed to be used to fund OED staff costs in 2010. It is possible that actual staffing costs in 2010 for the NMTC program were higher. The Executive and Council staff are preparing analysis that documents staffing costs for the program in 2010. If staffing costs are higher, additional NMTC fees may be deposited to the General Fund for 2011.

2. Travel & Training and Professional Services contract – OED has a proposed travel and training budget of over \$17,000 for 2011 and for 2012. No reductions were taken in this line item compared to 2010 amounts. In addition, the one FTE position being transferred from OSE to OED brings \$31,000 of professional services funding with that position. Reductions in these activities could be made if additional resources are needed to implement Council Budget priorities.